

# Issues Backgrounder

## Health Care

With an aging population, the ability of governments to adequately fund a broad base of health care programs is a concern shared by all Canadians. The need for long term care resources, such as rehabilitation facilities, home care, chronic care institutions and other programming, is apparent. As life and health insurance professionals, members of CALU, the Conference for Advanced Life Underwriting, a conference of the Financial Advisors Association of Canada (operating as Advocis), are very aware of, and responsive to, the concerns and needs of Canadians in this regard. Through their work as Benefits Planners and Advisors, many CALU members have a first-hand understanding of the important role played by employer-provided health and dental plans in the overall provision of health care services to Canadians.

CALU, in conjunction with the CLHIA, the Canadian Life and Health Insurance Association, developed a major submission on the subject of Critical Illness and Long Term Care Insurance which discusses the important benefits and attributes of these products to meeting the short and long-term health and disability needs of Canadians. The paper, submitted to the Departments of Finance and the Canada Revenue Agency, is intended to clarify specific tax interpretations in order to provide consumers with certainty in their financial planning.

## Tax Status of Life and Health Insurance

Privately purchased life and health insurance products are a fundamental component of Canada's social infrastructure. Almost three out of every four Canadians has some form of financial protection through life and health insurance.

CALU, in conjunction with Advocis, is consulting with the Department of Finance with respect to improving the current system of policyholder taxation. When the existing tax regime was established almost twenty years ago, it could not anticipate product developments. The new regulations should enable life and health insurance products to continue to meet the needs of Canadians and clarify any uncertainty that exists with respect to the taxation of newer types of policies which have been well-established in the marketplace since the existing regulations were first proclaimed.

CALU appreciates the opportunity offered by the Department of Finance to participate actively in the review process. We believe it is important that the review be based on clearly defined social, economic and tax policy objectives that encourage Canadians to protect themselves and their families against the financial risks associated with death, disability and illness. We also believe that it is important to understand and recognize the important applications of life insurance products in ensuring Canadians have access to sufficient sources of income in their retirement.

## Retirement Savings

CALU and Advocis believe that contribution limits for Registered Retirement Savings Plans (RRSPs) and Registered Pension Plans (RPPs) are important issues from both the social policy and economic competitiveness points of view. Investments in private retirement savings vehicles reduce dependence on government programs and allow Canadians to provide for their retirement years.

CALU and Advocis members understand that contribution limits impact the ability of Canadians to provide income for retirement. From the perspective of international competitiveness, Canada's current retirement income policy needs to strongly encourage taxpayers to save privately for retirement to the same degree and extent as the retirement savings systems of the United Kingdom and the United States.

## Value of Financial Advice

One of CALU's primary mandates is to ensure Members of Parliament, Senators and government officials understand and recognize the important applications of life insurance to the financial, retirement and estate planning of Canadians. Life Insurance is the fundamental financial instrument which ensures Canadians have the resources required to meet their tax obligations and to provide for their dependents.

Canadians value the services of a financial advisor who meets the highest standards of professional competence. CALU and Advocis have undertaken to ensure their members maintain the highest standards of expertise in the provision of advice concerning the application of life and health insurance products to meet the needs of Canadian consumers, and the appropriate role which can be played by investment products in creating the income needed in retirement.

## Government Consultations

As part of its government relations program, CALU participates regularly in consultations with Members of Parliament and officials in the Department of Finance and the Canada Revenue Agency and through the standing committee discussions convened by the House of Commons and Senate. These consultations afford CALU members the opportunity to comment on key policy areas of importance to their clients such as retirement planning, health care, charitable giving and income taxation.

Through its leadership of, and participation in, coalitions such as the Health Care Coalition and the Retirement Income Coalition, CALU engages in a demonstration of shared values and concerns with other like-minded organizations, and facilitates the expression of interests of various important stakeholders and communities in respect of such issues as health care, individual financial planning, small business development and continuity and retirement savings and security programs.

## About CALU and Advocis

The Conference for Advanced Life Underwriting (CALU) is a conference of Advocis (the operational name of The Financial Advisors Association of Canada), with a voluntary membership committed to monitoring, developing and presenting legislative recommendations and solutions in the area of advanced life underwriting.

CALU members operate in "advanced markets" providing a high level of personal financial, business succession, estate planning and employee benefits services to their clients, many of whom are the owners of family businesses.

CALU and Advocis members strongly believe in the application of today's innovative life insurance products to address such concerns as disability, critical illness and long term care, and encourage Canadians to achieve economic self-reliance, security and growth.



### CONFERENCE FOR ADVANCED LIFE UNDERWRITING

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